

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402,
: and 1403 of the Insurance
Application of The Chestnut Group, : Holding Companies Act, Article
Inc. Requesting Exemption from the : XIV of the Insurance Company
Requirements of 40 P.S. §991.1402 for : Law of 1921, Act of May 17, 1921,
the Acquisition of Common Stock of : P.L. 682, as amended, 40 P.S.
Allegheny Casualty Company : §§991.1401, 991.1402 and 991.1403
:
: ID-RC-01-11

DECISION AND ORDER

AND NOW, on this 2nd day of March, 2001, Stephen J. Johnson, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania ("Deputy Commissioner"), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Deputy Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

1. Allegheny Casualty Company ("Allegheny Casualty") is a stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Meadville, Pennsylvania.
2. The Chestnut Group, Inc. ("Parent") is a holding company organized pursuant to the laws of Delaware with its principal place of business located in Wilmington, DE. Parent currently holds 100% of the issued and

- outstanding voting common stock of Allegheny Casualty.
3. Parent is equally owned by twenty (20) persons.
 4. Parent is the sole ultimate controlling person of Allegheny Casualty.
 5. On January 18, 2001, the Insurance Department of the Commonwealth of Pennsylvania ("Department") received an initial request (which together with all material received subsequently is collectively referenced as "Request") from Parent for approval to purchase additional shares of common stock of Allegheny Casualty.
 6. As described in Request, the plan involves Parent purchasing five hundred thousand (500,000) shares of series B, voting, one (\$1.00) dollar par value common stock ("Series B Common Stock") of Allegheny Casualty for a total purchase price of five hundred thousand (\$500,000) dollars.
 7. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. ("Insurance Holding Companies Act"), provides that all transactions resulting in a controlling interest of domestic insurers must be filed with the Department for approval or disapproval.
 8. Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
 9. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction does not:
 - a) have the effect of changing or influencing the control of a domestic insurer, or
 - b) is otherwise not comprehended within the purposes of the section.
 10. As described in Request, as a result of the Series B Common Stock purchase, Parent will continue to own 100% of Allegheny Casualty.
 11. The Deputy Commissioner finds that the transaction described in Request does not have the effect of changing or influencing the control of a domestic insurer within the purposes of Section 1402 of the Insurance

Holding Companies Act.

12. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

CONCLUSIONS OF LAW

1. Under Section 1402 of the Insurance Holding Companies Act, the Department has jurisdiction to review and approve the acquisition of voting securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.
2. Request satisfies the requirements of all applicable laws and regulations.
3. The purchase of Series B Common Stock proposed in Request does not have the effect of changing or influencing the control of a domestic insurer within the purposes of the section and, therefore, is exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
4. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be incorporated in the Findings of Fact as if fully set forth therein.

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ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania hereby makes the following Order:

An approving determination for the acquisition by The Chestnut Group, Inc. of additional shares of Allegheny Casualty Company in a transaction exempt from the requirements of 40 P.S. §991.1402(b), as set forth in Request, is hereby granted subject to this Order.

This Order is effective immediately and valid for one year from the date of signature, provided there are no significant changes from Request.


STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Regulation of Companies